

Message Text

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ORIGIN OPIC-06

INFO OCT-01 EA-07 ISO-00 EB-07 AID-05 COME-00 TRSE-00

OMB-01 USIA-06 CIAE-00 INR-07 NSAE-00 /040 R

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R 060228Z MAR 76
FM SECSTATE WASHDC
TO AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: OPIC LOAN TO SAM YANG BAKER TANK TERMINAL

REF: SEOUL 1310

1. OPIC REPRESENTATIVES TOGETHER WITH STATE DESK OFFICER
MET WITH KANG HUNG-KU AND KOREAN EMBASSY REP H. K. KIM ON
FRIDAY 27 FEBRUARY.

2. KANG REITERATED SUBSTANCE REFTTEL AND SAID HE BELIEVED
THAT ROKG WOULD CONTINUE TO INSIST ON A MAXIMUM RATE OF
10.25 PERCENT ON OPIC LOAN WITHOUT REPEAT WITHOUT KEB
GUARANTEE. OPIC STATED THAT IT WAS NOT ITS INTENTION TO
CONTINUE TO "HORSE TRADE" AND THAT OUR RATES ON THE LOAN
WOULD BE EITHER ELEVEN PERCENT WITH A MORTGAGE, OR 10.25
PERCENT WITH A KEB GUARANTEE. KANG SAID IF THAT WERE THE
CASE HE DID NOT THINK THE LOAN COULD BE APPROVED AND THAT HE
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WOULD PROBABLY ASK THE PARTNERS (SAM YANG AND BAKER) TO PUT

UP THE BALANCE AS EQUITY.

3. OPIC OFFERED ONE FINAL ALTERNATIVE WHICH WOULD REDUCE INTEREST RATE CONSISTING OF A ONE HUNDRED THOUSAND DOLLAR CONVERTIBLE DEBENTURE AT EIGHT AND THREE QUARTER PERCENT AND A FOUR HUNDRED FIFTY THOUSAND DOLLAR DIRECT LOAN AT 10.25

PERCENT. KANG WAS NOT OPTIMISTIC THAT THE GOVERNMENT WOULD ACCEPT THIS, BUT PROMISED TO DISCUSS WITH MIN FIN AND GET BACK TO OPIC WITH THEIR REACTION.

4. KANG AT ONE POINT STATED THAT SMALL SIZE OF OPIC LOAN (FIVE HUNDRED FIFTY THOUSAND DOLLARS) WEIGHED AGAINST ROKG ACCEPTANCE OF RATE; RATE WOULD HAVE PRESENTED LITTLE OR NO PROBLEM FOR FIVE MILLION DOLLAR LOAN. THE IMPLIED DISCRIMINATORY POLICY FOR SMALLER INVESTORS AND LOANS IS CONTRARY TO OPIC'S MANDATE TO ASSIST SMALLER INVESTORS IN THE LDCS AND DOES NOT ARGUE WELL FOR OPIC ENCOURAGING WELL QUALIFIED, SMALLER INVESTORS TO INVEST IN KOREA. APPRECIATE EMBASSY CLARIFICATION WHETHER SUCH POLICY DOES EXIST.

5. NET EFFECT OF FOREGOING WILL PROBABLY BE FOR OPIC IN THE FUTURE TO REQUIRE FORMAL ACCEPTANCE OF OPIC LOAN TERMS BY FOREIGN CAPITAL INDUCEMENT COMMITTEE BEFORE OPIC LOAN COMMITMENT IS MADE. THIS WILL AT MINIMUM DELAY PROCESSING AND COULD BECOME CHICKEN/EGG EXERCISE IF ROKG IS NOT AMENABLE. DECONTROL FOLLOWING MARCH 3, 1977. KISSINGER

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